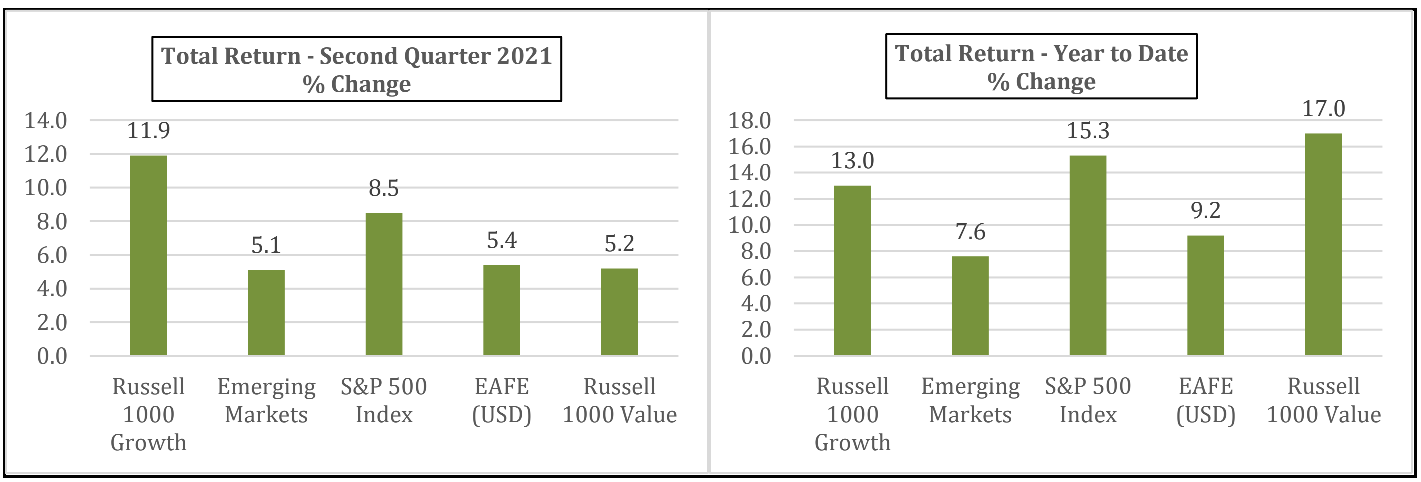
UNITED
Asset Strategies, Inc.

Dear clients and friends, July 2021

In many ways, the second quarter results for equity markets continued the positive trend experienced in the first quarter of 2021, with the S&P 500 Index up 8.5% (on a total return basis) in the second quarter and up 15.3% for the first six months of the year. Many of the underlying drivers that fueled equity markets in the first quarter continued in the second and include: 1) ongoing fiscal stimulus; 2) improving COVID trends in the US as vaccination rates increase; 3) an accommodative Federal Reserve; 4) an improving US economy, and 5) strong corporate earnings growth. The increase in vaccination rates has accelerated the re-opening of the US economy, and this is most notably seen in travel-related data, such as TSA passenger rates and gasoline demand. The improvement on the consumer side of the economy, combined with the ongoing strength in the manufacturing side, has fueled very high US GDP growth and very strong corporate earnings growth. This, in turn, has led to concerns about inflation. Incoming data indeed confirmed a sharp rise in year-over-year prices, but fears soon turned to complacency. We would note that five-year TIPS break-evens (a bond market proxy for inflation expectations over the next five years) hit a peak of 2.76% in mid-May before closing the quarter at 2.49%. This drop in inflation concern was influenced by a correction in commodity prices as well as a growing confidence that the Fed is willing and able to contain prices. We will dive deeper into fiscal and monetary policy impacts and outlook in our *Looking Ahead* section below.

Figure 1: Returns by Segment



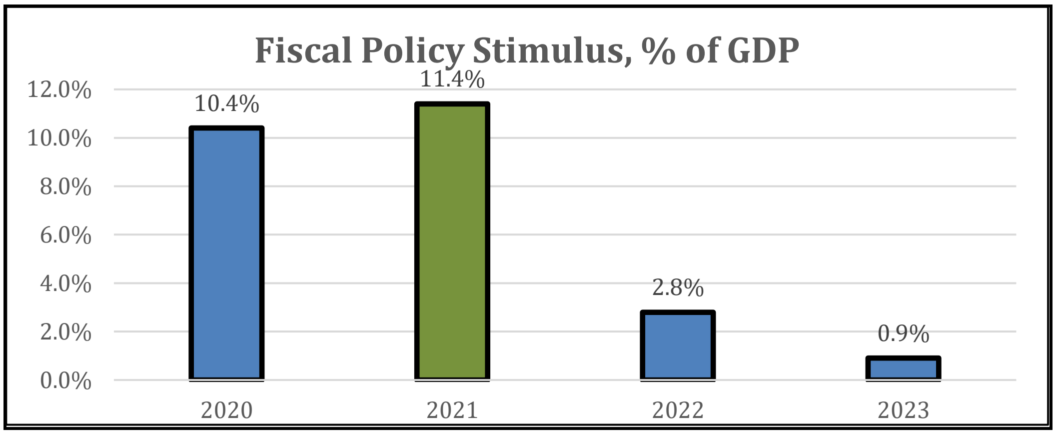
Source: Standard & Poor's

While equity markets continued to march broadly higher, leadership continues to rotate. As shown in Figure 1, Value stocks (+17%) have outpaced Growth stocks (+13) year to date, but that wasn't the case in the second quarter. This leadership rotation is also evidenced at the sector level. In 2Q21, Growth sectors such as Technology (+12%) and Communication Services (+11%) outpaced the overall market return, but traditional Value sector Energy (+11%) also beat the market average. At the same time, traditional Value sectors Materials and Industrials both underperformed the broader market, up 5% each, after strong moves previously. International stocks continue to move higher but underperform domestic equities. Active managers, such as United Asset, are best able to capture relative value opportunities in markets where leadership is rotating. In addition, we believe that United's use of technical analysis as part of the investment process further enables our investment team to uncover attractive investment opportunities as markets continue to rotate. Our team's active approach has continued to generate strong results for clients invested in our equity strategies, especially in the value, growth & income, growth plus and momentum mandates. In addition, United's actively-managed bond strategies have enjoyed positive returns and outpaced both the broad AGG Index (which is actually down this year) and the Muni bond index.

Looking Ahead: Is Policy Moving from Tailwind to Headwind?

Fiscal Policy: Since the start of the COVID pandemic, US policymakers have provided in excess of $5 trillion across multiple stimulus packages, which provided a strong tailwind to the economy. As shown in Figure 2, this unprecedented level of fiscal support has replaced 10% of GDP in 2020 and should exceed 11% in 2021. Here is the problem – assuming President Biden gets the entire infrastructure package passed (which will be a challenging task), the US economy is still facing a $1.8 trillion fiscal cliff in 2022 (yes, the dreaded fiscal cliff is back). This is shown below, with fiscal stimulus estimated to equate to 2.8% of GDP in 2022. As such, the fiscal tailwind of 2020 and 2021 threatens to become a fiscal headwind in 2022.

Figure 2: Fiscal Headwind Approaching



Note: 2022 and 2023 assume passage of President Biden's entire fiscal agenda

Source: Strategas Research Partners

There are also near-term policy decisions that need to be made. The debt ceiling suspension ends on July 31, 2021. From there, the Treasury Department will use emergency measures, which are estimated to extend the need to approve a new debt ceiling until late August/early September. This is the same period in which Congress and the President will be working to finalize the 2022 fiscal budget, which begins on October 1. This means a very divided Washington (both between parties and within parties) will need to pass a budget to avoid a government shutdown and to agree on a resolution for the debt ceiling to avoid a default, all while working to pass two infrastructure packages along with contentious tax increases. Our investment team is monitoring these fiscal developments closely to determine if any portfolio actions are warranted, while our planning experts are analyzing the tax proposals to ensure that our clients are getting the proper planning guidance.

Monetary Policy: While fiscal policy is important, another big item for markets in the second half of this year is Fed policy. It is likely that the Fed will gradually reduce the extreme level of accommodation it has been providing. Fed speakers have been discussing such 'tapering', which means a reduction in the pace of bond buying. How soon the Fed will taper and how rapidly the purchases move to zero remain to be seen, but both will be influenced by incoming inflation and employment data. While the Fed remains extremely supportive, we feel that the eventual, inevitable tapering is likely to be a challenge for credit spreads. Considering this, we have emphasized strong credit quality and hold cash positions in clients' fixed income portfolios awaiting better entry points.

In summary, while markets grind higher, this is not the time to get complacent. Our investment team is diligently analyzing substantial amounts of economic, policy, fundamental and technical data in an effort to ensure that client portfolios are properly constructed. Over the past year, the return of the S&P 500 Index has mirrored corporate earnings growth, leaving valuation multiples flat over that period, but elevated. At United, management continues to invest in staff, adding depth to the client experience team in recent months, while adding two highly experienced MBA's to our investment team since the pandemic began. We hope that you share our excitement about the future together!

Respectfully submitted by the Professional Staff at United Asset Strategies

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Strategy Review and Positioning – Second Quarter 2021

FIXED INCOME UPDATE

As 2Q21 began, market participants were very concerned with inflation and its potential impact on asset prices. As inflation fears subsided, Treasury yields declined. The 10-year Treasury, for example, started 2Q at 1.74% and closed at 1.47%. Lower yields and a still accommodative Federal Reserve boosted the bid for most fixed income securities. Clients benefitted from our purchases of investment grade corporates, long duration Treasuries and municipal bonds.

GROWTH & INCOME STRATEGY (GI)

Overview: Growth & Income (GI) is our most utilized strategy, primarily by clients seeking growth with income while minimizing risk. Individual stocks are used, with mutual funds strategies that mirror the GI strategy for smaller accounts.
Update: During the quarter, the team increased exposure to Energy and Financials, while executing a swap in the REITs space and trimming Materials. Risk management: 4.5% cash and 2% gold.

HIGH DIVIDEND EQUITY & HIGH DIVIDEND PLUS STRATEGY (HDIV & HDIVPL)

Overview: This strategy is recommended for clients seeking a steady stream of income with a modest amount of trading activity. By seeking positions that are dividend growers, HDIV aims to beat the average yield of stocks within a given sector and to provide for a hedge against rising interest rates. HDIVPL includes a 20% allocation to growth.
Update: In HDIV, the team reduced the weight to preferred stocks. In HDIVPL, the team raised the weight in Industrials by adding to an infrastructure-related company, using the proceeds from the trimming of an electric utility stock. Risk management equates to 4% in both mandates, consisting of 4% cash in HDIVPL and 2% hedge/2% cash in HDIV.

VALUE PLUS EQUITY STRATEGY (VAPL)

Overview: This strategy is recommended for clients seeking a value-based equity strategy with a beta below that of the overall market. This strategy seeks to invest in mispriced stocks with attractive fundamentals in a diversified portfolio.
Update: The team continues to add to cyclical exposure given the relative valuation opportunity in that space. The team also swapped two Financials stocks, selling the more expensive bank stock and using the proceeds to buy a bank stock we believed to be trading at a lower relative valuation. Risk management currently consists of 4.5% cash and 3.5% gold.

GROWTH PLUS EQUITY STRATEGY (GP)

Overview: This strategy is recommended for clients seeking a growth-based equity strategy with a beta above that of the overall market. Higher growth names across the various sectors are selected using a two-part screening process.
Update: During the quarter, the team reduced exposure to the Materials and Discretionary sectors along with the hedge, using the proceeds to increase the weight to Communication Services, Healthcare and the REIT sector. There are no hedges or cash at present.

TACTICAL OPPORTUNITIES PLUS EQUITY STRATEGY (TOPS)

Overview: This strategy is recommended for clients seeking to take advantage of opportunities created by timely investing decisions from evolving trends and themes. The strategy seeks to combine growth with downside protection.
Update: During the quarter, the team primarily reduced Discretionary and Technology exposure, while increasing weight to Financials, Communication Services, and International. To manage risk, there is currently an allocation of 2% to cash.

ESG STRATEGY (ESG)

Overview: This strategy is recommended for clients seeking a values-based equity strategy that invests in companies that rank well on environmental, social and governance criteria, while being expected to generate attractive returns.
Update: The team increased exposure to Financials, Discretionary and (Clean) Energy while reducing Healthcare and Staples. Risk management is 2% cash, 2% hedge and 3% gold.

EXCHANGE-TRADED FUNDS STRATEGIES (ETF)

United Robo: This strategy utilizes artificial intelligence (AI) to select one of the 16 risk-based allocations developed by UASI. The team reduced Large Cap, REITs and cash and increased the weight to Small & Mid cap stocks. Current risk management consists of 4% cash.
UDAA: This strategy utilizes AI designed at generating a risk-adjusted return exceeding a 60/40 equity/fixed-income portfolio. The most recent rebalance resulted in an allocation of 80% to Equities, 5% to Fixed Income and 15% Cash.
Momentum Plus®: This is a dynamic strategy that utilizes technical indicators, such as relative strength and momentum, to make sector selections. The team reduced the weight to Technology, swapping the proceeds into Energy. The strategy continues to be fully invested with no cash, gold or hedges in place.
Risk-Based ETF**:** This strategy seeks to identify relative value opportunities for investment. For aggressive accounts, the team increased the weight to REITs using proceeds from the reduction in International stocks.